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Attorneys for PacifiCorp dba Utah
Power & Light Company

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of PacifiCorp for Approval of its Proposed Electric Service Schedules and Electric Service Regulations	) DOCKET NO. 03-2035-02)) APPLICATION OF PACIFICORP

PacifiCorp, doing business as Utah Power & Light Company ("PacifiCorp" or "Company") hereby applies to the Utah Public Service Commission ("Commission"), pursuant to Utah Code Ann. § 54-7-12, for an order authorizing a general increase in its rates and charges for electric service provided in the state of Utah. In support of this Application, PacifiCorp states as follows:

1. PacifiCorp is a public utility in the state of Utah and is subject to the Commission's jurisdiction with respect to its prices and terms of electric serice to retail customers.

2. Communications regarding this Application should be addressed to:

Doug Larson
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3. PacifiCorp's current tariff rates were established by Order dated September 10, 2001 in Docket No. 01-035-01. The Company's current rates do not provide sufficient revenue for the Company to recover the reasonable costs of providing electric service in the state of Utah, are not just and reasonable as required by Utah Code Ann. § 54-3-1, and do not provide the opportunity to earn a reasonable rate of return.

4. Based on the 12 month period ending March 31, 2003, which is the test period adopted by the Commission for this case, a return on equity of 11.5%, and a capital structure comprised of 48.21% long-term debt, 6.65% preferred stock, and 45.14% common equity, PacifiCorp is experiencing an annual revenue deficiency for service in Utah of approximately $125 million. Pursuant to the Commission's May 6, 2003, Order in this docket, PacifiCorp will file revenue requirement testimony on July 31, 2003, which will more specifically identify the price increase that PacifiCorp is requesting in this case.

5. PacifiCorp submits the following with this Application:

(a) The testimony of Samuel C. Hadaway, who addresses the capital structure, cost of equity and the overall rate of return for PacifiCorp;

(b) The testimony of Bruce N. Williams, who addresses the cost of debt and preferred stock for PacifiCorp;

(c) A preliminary list of the annualizing and normalizing adjustments that PacifiCorp intends to propose, together with a brief explanation of the adjustments;

(d) A list of the known and measurable adjustments PacifiCorp intends to propose, together with a brief explanation of the adjustments;

(e) A preliminary list of the changes PacifiCorp intends to propose to its Electric Service Regulations, together with a brief explanation of the changes;

(f) A preliminary list of the rate design changes PacifiCorp intends to propose, together with a brief explanation of the changes;

(g) A preliminary list of the rate spread changes PacifiCorp intends to propose, together with a brief explanation of the changes;

(h) A copy of PacifiCorp's March 2003 Regulatory Financial and Operating Report;

(i) A copy of PacifiCorp's FERC Form 1 for calendar year 2002; and

(j) A description of the manner in which PacifiCorp will normalize the effects of its summer 2002 purchased power expense for the test period purchased power expenses.

WHEREFORE, PacifiCorp respectfully requests that the Commission issue its Order:

1. Approving the revenue requirement increase which PacifiCorp will, in accordance with the Commission's May 6, 2003 Order, more specifically identify in its revenue requirement testimony; and

2. Providing such further relief as the Commission deems just and reasonable.

DATED this 15th day of May, 2003.

Respectfully submitted,

STOEL RIVES LLP

By______________________________
Edward Hunter
John M. Eriksson
Stoel Rives LLP
Of Attorneys for PacifiCorp

CERTIFICATE OF SERVICE

I hereby certify that on this 15th day of May, 2003, I caused to be served, via U.S. mail, postage prepaid, a true and correct copy of the Joint Motion for Approval of Test Period and Scheduling Stipulation and Issuance of Notice to the following:

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Peggy Ryan

Peggy Ryan
Regulatory Operations Coordinator

Items Submitted Pursuant to
Stipulation

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF PACIFICORP FOR APPROVAL OF ITS PROPOSED ELECTRIC RATE SCHEDULES & ELECTRIC SERVICE REGULATIONS	)	Docket No. 03-2035-02

ITEMS SUBMITTED PURSUANT TO STIPULATION

MAY 2003

a. The revenue requirement increase proposed by PacifiCorp, which will serve as a limitation on the maximum amount PacifiCorp can seek or receive in this case.

The Company seeks a revenue requirement increase of no greater than $125 million.

b. A preliminary list of the annualizing and normalizing adjustments that PacifiCorp intends to propose in this case, which will not limit the adjustments PacifiCorp can propose in this case, together with a brief explanation of the adjustments.

PacifiCorp intends to propose the following annualizing and normalizing adjustments.

Weather Normalization

This adjustment normalizes revenues in the test period by using temperature-normalized loads. Weather normalization reflects weather or temperature patterns, which were measurably different than normal. Only residential and commercial sales are considered weather sensitive. Industrial sales are more sensitive to specific economic factors. This revenue adjustment corresponds with temperature adjustments made to system peak and energy loads used to calculate allocation factors.

Effective Price Change

This adjustment annualizes existing contracts and tariff changes to reflect a full year of revenues based on the new rates. This is done by comparing actual revenues for the test period to the annualized revenues calculated by applying new rates in the tariffs and special contracts to current energy usage.

Revenue Normalizing Adjustments

This adjustment normalizes test period revenues by removing out of period adjustments and normalizes changes in system versus situs allocations of special contracts.

USBR/UKRB Revenues

Under contract with PacifiCorp, the U.S. Bureau of Reclamation (USBR) and the Klamath Basin Water Users' Protective Association (UKRB) receive a discounted tariff in exchange for water rights. This adjustment treats the discount as a cost to PacifiCorp's entire hydro system rather than a state specific cost to insure that the costs and benefits are matched system wide. This treatment was specified by PITA in the Modified Accord cost allocation agreement and was approved by the Utah Public Service Commission in Docket No. 99-035-10.

SO2 Emission Allowances

Adjusts sales of emission allowances to reflect a 4 year amortization as approved in the revenue requirement partial stipulation dated February 26, 1999 which was approved by the Utah Public Service Commission in Docket 97-035-01.

Pool Contract Accrual Reversal

From 1997 through 2000 an accrual was recorded on the books for a potential liability arising from pool contract disputes. During 2002 the disputes were settled without PacifiCorp incurring any liability. The wholesale sales accrual that was recorded over time in prior periods was reversed during September 2002. The non-recurring revenue associated with the prior period reversal is normalized out of the test period.

Special Revenue Reclassification

This adjustment assigns the revenues from the special contracts that have expired on a situs basis to the appropriate states, and removes the system allocation. The loads associated with these contracts are included in the state load. The effective price change adjustment accounts for differences between special contract and tariff rates.

Revenue Allocation Correction

In the unadjusted results of operations, MCI rental revenues are erroneously allocated on a situs basis to Oregon and California. They should be allocated system-wide. This adjustment corrects the allocation code errors.

Utah Rate Refund

In February 2001 the Utah PSC granted interim rate relief to the Company of $70 million. When a final ruling was received in Docket No. 01-035-01, the Commission ordered a $40 million revenue requirement increase. The Company created a liability for rate refund associated with the difference. At the same time the Company had filed an application for recovery of Hunter #1 power costs. The excess interim revenues could be credited against deferred Hunter #1 replacement power costs on an interim basis pending a final outcome. Subsequently in Docket Nos. 01-035-23, 01-035-29, and 01-035-36, Utah PSC approved a settlement agreement which provided for recovery of the deferred Hunter #1 replacement costs and other excess net power costs and allowed the excess interim revenues to be applied to offset the deferred costs. This adjustment removes the accrual for rate refund from the test year.

O&M Adjustments

FAS 106 Deferred Charges

The Wyoming PSC authorized deferral of FAS 106 costs in excess of pay as you go until the 1996 Wyoming general rate case (Wyoming Docket No. 2000-ER-95-99). This case approved the amortization of this deferral over six years, which was completed December 2002. This adjustment removes the nine months of amortization costs from results.

Noell Kempf Climate Action Project

In its May 24, 2000 order in Docket No. 99-035-10, the Commission stated: "We find that participation in the Noell Kempf Climate Action Project is reasonable. We will allow recovery of Utah's share of the $1.75 million total expenditures over five years in order to better match benefits and costs." This adjustment amortizes the total expenditure over 5 years with the unamortized balance in rates base.

Blue Sky Program

The Blue Sky Program is designed to encourage voluntary customer participation in the acquisition and development of renewable resources. To protect non-participants from subsidizing this program, this adjustment removes all revenues and expenses associated with this program from the test period.

Miscellaneous General Expenses

This adjustment removes from results of operations certain expenses that have historically not been allowed in Utah revenue requirement.

Implement Customer Service Standards

One of the Company's commitments related to the ScottishPower merger was that customers would not bear the costs associated with implementing new customer service standards. Accordingly, this adjustment removes all customer service standard implementation costs from the test period.

FICA Adjustment

Effective January 2003, the earnings base for social security increased. This change will increase the Company's expense for this tax. This adjustment annualizes this increased expense and also reflects the FICA tax increase associated with the annualized General Wage increases.

General Wage Increase

PacifiCorp has several labor unions, each with different contract renewal dates. The company negotiates wage increases with each of these groups throughout the year. This adjustment annualizes the wage increase during the test period for labor charged to operation and maintenance accounts. It also removes the wages paid to employees that left during the year due to the transition plan.

Customer Service Deposits

The Company pays customers interest on their service deposits per Utah Electric Service Regulation #9. This adjustment is necessary for the Company to recover the interest paid on service deposits. The customer deposits are included as a rate base deduction. Absent this adjustment, the interest true-up adjustment would nullify any recovery of customer deposit interest.

Remove LTIP Expense

This adjustment removes the cost of Pacificorp's executive stock option plan (LTIP or Long Term Incentive Plan) in accordance with the Commission's order in Docket No. 97-035-01 dated March 4, 1999. Since all charges for the Long Term Incentive Plan were allocated according to the three-factor formula, the adjustment removes only the Electric portion.

Net Power Costs

UT - T3 Production Cost Study

The net power cost adjustment normalizes steam and hydropower generation, fuel, purchased power and wheeling expense and sales for resale in a manner consistent with the contractual terms of sales and purchase agreements, normal hydro and weather conditions and expected market prices through the period up until January 1, 2004. The SMUD wholesale sale and thermal unit availability and maintenance adjustments adopted by the Commission in Docket No. 01-035-01 were included in the NPC study. The net power cost study also excluded the impacts of the Summer 2002 Forward Purchase contracts and DSM/Load Curtailment programs the Company initiated during the 2001 power crisis load to mitigate power costs.

Trail Mountain Closure Amortization

In April of 2002, two regulatory assets were set up on the Company books, one for the Trail Mountain Closure costs and one for the Unrecovered Trail Mountain Investment. These regulatory assets will be amortized over a five-year period beginning April 2000 and ending March 2005. For the test period, $9,283,656 has been amortized. As a result of booking the regulatory asset during the test period, two sets of entries will need to be made. First, the Annual Amortization Expenses and Other Revenue are incorrect. This adjustment will include entries to bring the expense and revenue to the correct levels. Second, there are also entries to correct the average balance of the unamortized Regulatory Asset shown on the unadjusted books. Trail Mountain supplied coal to the Hunter plant, which is a joint-owned facility. The joint owners are being billed their share of the closure costs. Joint owner payments are booked to account 456.

FAS 133 Adjustment

Effective June 2001, FAS 133 requires an entity to recognize all derivatives as either assets or liabilities and measure those instruments at fair market value. These market-to-market valuation changes are for financial reporting purposes only, to indicate a Company's exposure to the market and should have no impact on regulated results. This adjustment reverses the mark to market valuation changes associated with the FAS 133 costs for regulatory results.

MagCorp Replacement Purchase Power

In July and August 2002, pursuant to the terms of the Commission Order in Docket No. 01-035-38, PacifiCorp purchased power in the market to meet the US MagCorp load. PacifiCorp received a payment from US MagCorp for the two months equaling $819,778. This adjustment changes the allocation of the replacement purchase power expense from system allocation to direct assignment (situs) to Utah.

WAPA Wheeling Contract

This adjustment compares the proceeds from the WAPA contract to the Company's current FERC tariff and imputes revenues for the difference. This adjustment is made in compliance with the Utah Public Service Commission's May 24, 2000 order in Docket #99-035-10.

West Valley Rental Unit Expenses

On March 5, 2002, PacifiCorp entered into a 15-year operating lease for the five-unit 200 MW facilities in West Valley. The operation of these units is modeled in the Company's production dispatch model (GRID) and is included in net power costs. This adjustment annualizes the rental costs associated with the lease agreement for the test period.

Depreciation

Amortization of the Centralia Gain

As part of the Utah PSC order in Docket Nos. 01-035-23 and 01-035-36, the gain on the sale of Centralia plant and mine, which was being refunded to customers, was netted against the Net Power Costs settlement. This adjustment removes the amortization of the Centralia gain from the test period.

Annualize Depreciation

The current authorized depreciation rates were applied to depreciable March 2003 average plant balances to calculate the on-going level of depreciation expense. This annualized depreciation expense was compared to the actual expense booked to Account 403 for the same period. This adjustment to depreciation expense reflects on-going depreciation expense based on current depreciation rates and depreciable plant balances.

Annualize Accum Depreciation

This adjustment reflects the impact of the "Annualize Depreciation" adjustment on the accumulated depreciation reserve.

Taxes

Wyoming Wind Tax Credit

This adjustment normalizes a federal income tax credit the Company received as a result of placing its Wyoming Wind generating plant into service before December 31, 2001. The tax credit is based on the generation of the plant.

Property Tax Adjustment

This adjustment aligns test-period property tax expense to the January 1, 2004 plant balances included in the test year, and also reflects pro-forma property taxes on major plant additions.

Deferred Tax Balance Reclassification

A review of the accumulated deferred income tax balances identified various deferred tax balances that were allocated on a system basis rather than situs assigned. This adjustment corrects the allocation of these balances.

Rate Base

Trapper Mine Rate Base

PacifiCorp owns a 21.4% interest in the Trapper Mine, which provides coal to the Craig generating plant. The normalized coal cost of Trapper does not include a return on investment. This adjustment adds the Company's portion of Trapper Mine plant investment to rate base, since this investment is accounted for on the company's books in Account 123.1 - Investment in Subsidiary Company. Account 123 is not normally a rate base account. The adjustment reflects net plant rather than the balance in Account 123 to recognize the depreciation of investment over time. This adjustment was authorized by the Utah PSC in Docket No. 99-035-10.

Inclusion of Jim Bridger Mine Rate Base

PacifiCorp owns two-thirds interest in the Bridger Coal Company (BCC), which supplies coal to the Jim Bridger generating plant. The Company's investment in BCC is recorded on the books of Pacific Minerals, Inc. (PMI), and a wholly-owned subsidiary. Because of this ownership arrangement, the coal mine investment is not included in Account 101 - Electric Plant-In-Service. The normalized coal costs for BCC do not include a return on investment. This adjustment reflects the BCC plant investment in the test period. This treatment was authorized by the Utah PSC in Docket No.99-035-10.

Organizational Cost Rate Base

This adjustment is to conform to the order made by the Utah Commission in Docket No. 99-035-10. The adjustment provides a method for sharing merger costs between shareholders and customers. The merger costs are being subtracted from rate base and the amortization expense is left in results. This adjustment also adjusts tax expense by the shareholders' 50% share of merger costs.

APS Combustion Turbine Payment

In the order in Docket No. 97-035-01 dated March 4, 1999, the Utah PSC approved the DPU's proposed sharing of the APS combustion turbine payment. This sharing is achieved by removing the unamortized balance from rate base, but leaving the amortization expense in results. The amortization of the APS payment continues through July 2017.

CSS Disallowance

This adjustment removes one-third of the Company's investment in its customer service (CSS) software from the March 2003 test period, consistent with the Stipulation approved by the Commission in Docket No. 97-035-01.

Environmental Settlement

In 1996 PacifiCorp received an insurance settlement of $33 million for environmental clean-up projects. These funds were transferred to a subsidiary called PacifiCorp Environmental Remediation Company (PERCO). The fund balance is reduced as PERCO incurs dollars on clean-up costs. PERCO received an additional $5 million of insurance proceeds plus associated liabilities from Pacificorp in 1998. This adjustment includes the insurance proceeds in Electric Operations as a reduction to rate base.

c. A list of the known and measurable adjustments PacifiCorp intends to propose in this case, together with a brief explanation of the adjustments. The list filed by PacifiCorp will serve as the exclusive list of the known and measurable adjustments PacifiCorp can propose in this case, with the exception of any adjustments which are related to and respond to known and measurable adjustments proposed by other parties.

PacifiCorp intends to propose the following known and measurable adjustments.

Effective Price Change

This adjustment annualizes existing contracts and tariff changes to reflect a full year of revenues based on the new rates. This is done by comparing actual revenues for the test period to the annualized revenues calculated by applying new rates in the tariffs and special contracts to current energy usage.

Employee Pensions

Actuarial reports done during the late 1990's and 2000 and 2001 showed that the Company's pension fund was over-funded. This was due in part to the favorable stock market conditions, which favored equity mutual funds. At the end of 2001, with the downturn in the capital markets, the actuarial reports as of January 1, 2002, issued in July 2002, indicate the Company's fund requires increased contributions which drive substantially higher SFAS 87 expense levels on a going-forward basis. This adjustment reflects the increase in Company contributions required as per actuarial recommendations.

Pro Forma - General Wage Increase / Employee Benefits / Incentive Plan

PacifiCorp has several labor unions, each with different contract renewal dates. The company negotiates wage increases with each of these groups throughout the year. This adjustment adds the proforma wage increases and also reflects the changes to employee benefits, including the annual incentive plan expected for the period up until January 1, 2004.

FICA Adjustment

Effective in 2003, the earnings base for social security increased. This change will increase the Company's expense for this tax. This adjustment annualizes this increased expense and also reflects the FICA tax increase associated with the annualized and pro forma General Wage increases.

Pro Forma Depreciation

This adjustment reflects depreciation expense at the rates included in the Company's new depreciation study that was submitted to the Commission for approval. This is a type 3 (pro forma) adjustment to depreciation expense.

Pro Forma Accum Depreciation

The Pro Forma Depreciation adjustment normalized depreciation expense based on the new depreciation study rates applied to year-end depreciable plant balances. This adjustment reflects the impact of the Pro Forma Depreciation adjustment on the accumulated depreciation reserve.

Interest True-Up

This adjusts interest expense based on the Utah allocated rate base times the weighted cost of debt. This is done to align the interest expense and Utah's allocated rate base.

Property Tax Adjustment

This adjustment aligns test period property tax expense with the major plant additions through January 1, 2004. This adjustment reflects pro-forma property taxes on major plant additions.

Sales of the Naches Hydro Unit

The Naches hydroelectric assets were sold. However, the transaction is not reflected in unadjusted results. The adjustment removes the assets from rate base and adds back the accumulated deprecation. This adjustment also reflects the transaction into results by removing the book annual depreciation, O&M and property tax expense associated with the sale of Naches hydroelectric plant.

Pro Forma - Major Plant Additions

This pro forma adjustment identifies major plant additions valued greater than $1 million that are expected to be transferred into electric plant in service as of January 1, 2004.

Update Cash Working Capital

This adjustment trues-up cash working capital for the normalizing adjustments made in this filing. Cash working capital is calculated by taking total operation and maintenance expense allocated to the jurisdiction (excluding depreciation and amortization) and adding its share of allocated taxes, including state and federal income taxes and taxes other than income. This total is divided by the number of days in the year to determine the Company's adjusted daily cost of service. The daily cost of service is multiplied by net lag days to produce the adjusted cash working capital balance.

Provision for Property Insurance

The purpose of the adjustment is to normalize the provision for property insurance and injuries and damage expense and reserve for the increase to premiums and uninsured losses for the period up until January 1, 2004.

Transition Plan Savings

This adjustment reflects manpower reductions associated with the Transition Plan. These reductions are included in the General Wage Increase adjustment.

Cost of Debt

The Company anticipates that the cost of debt and preferred stock will be lower during the known and measurable period. Therefore it will propose to update these two cost components to the most current available information prior to hearing.

Net Power Cost Adjustments

Net Power Costs will be calculated to adjust out the 2002 summer purchases from results. The STF transactions included in GRID, as input for the proforma period will be based on completed transactions for the period April 2003 through January 1, 2004. The GRID model will calculate energy necessary sales and purchases necessary to balance the system. Therefore, the 2002 summer forward purchases will be excluded from results.

d. A preliminary list of any changes PacifiCorp intends to propose to its Electric Service Regulations, which will not limit the changes PacifiCorp can propose, together with a brief explanation of the changes.

The Company intends to propose the following changes to its Electric Service Regulations during the rate case:

1. A reduction in the deposit interest rate from 6% to a lower figure that is more reflective of prevailing interest rates paid by banking institutions and in line with deposit interest rates paid in all other PacifiCorp jurisdictions.

2. Implementation of a new field service collection charge assessed when the Company visits a site to connect or disconnect service, but due to the customer's action the Company does not connect or disconnect service. A similar charge is in effect in all other PacifiCorp jurisdictions.

3. Increases in the reconnection charge to better reflect the cost of performing this work. The Company is proposing to increase the charge during normal business hours from $25 to $30 and the after hours charge from $37 to $75.

4. Housekeeping changes to street lighting schedules to reflect current line extension provisions.

The above list represents the proposed changes that are under current consideration.

e. A preliminary list of any rate design changes PacifiCorp intends to propose, which will not limit the changes PacifiCorp can propose, together with a brief explanation of the changes.

The Company will propose rate design changes for the residential class that provide clearer price signals to customers for additional usage. In this regard, the Company will convene work group sessions with interested parties during June 2003 to discuss these matters.

For the other classes, the Company will propose changes to recover the revenue requirement change while minimizing customer impacts. These proposals will incorporate the effects of any changes to unit costs as shown in the filed cost of service results.

f. A preliminary list of any rate spread changes PacifiCorp intends to propose, which will not limit the changes PacifiCorp can propose, together with a brief explanation of the changes.

The Company will file a rate spread proposal that is consistent with proposals filed in previous cases in Utah where cost of service results have been an important guide to the Company's proposal along with issues of minimizing differences across customer classes and achieving fairness. The rate spread will also be consistent with the agreement reached in the Load Research Working Group from Docket No. 01-035-01.

g. A copy of PacifiCorp's 10-K for the period April 1, 2002 through March 31, 2003.

PacifiCorp intended to include its 10-K in this filing, but the 10-K will not be completed and available for distribution prior to May 30, 2003.

As a result, PacifiCorp is filing its March 2003 Regulatory Financial and Operating Report (F&O) on May 15, 2003 and will file its 10-K immediately after it has been filed with the Securities and Exchange Commission. That filing is currently expected to occur at the end of May or early June.

The F&O includes current and detailed financial information for PacifiCorp's electric operations and will therefore provide the parties with the information required to begin the analysis and discovery process. Because the F&O includes confidential information, it is being filed with the Commission and provided to the parties subject to the usual terms for confidential documents.

MARCH 2003 REGULATORY FINANCIAL AND OPERATING REPORT ("F&O")

THIS EXHIBIT IS CONFIDENTIAL AND PROVIDED IN SEALED ENVELOPE

h. A copy of PacifiCorp's FERC Form 1 for calendar year 2002.

A copy of the Company's FERC Form 1 is enclosed for information.

PACIFICORP'S FERC FORM 1
CALENDAR YEAR 2002

THIS EXHIBIT IS VOLUMINOUS AND PROVIDED AS A SEPARATE DOCUMENT

i. A description of the manner in which PacifiCorp will normalize the effects of its summer 2002 purchased power expenses from its test-period purchased power expenses.

The STF transactions included in GRID, as input for the pro forma period will be based on completed transactions for the period April 2003 through January 1, 2004.The GRID model will calculate energy necessary sales and purchases necessary to balance the system. Therefore, the 2002 summer forward purchases will be excluded from results.

j. Cost of capital testimony and exhibits.

Testimony and exhibits from Sam Hadaway and Bruce Williams are attached.